

TO: Secretary Paige  
FROM: Theresa. S. Shaw, Chief Operating Officer, Office of Federal Student Aid  
RE: FSA Weekly Report  
DATE: October 15, 2002

### **THE WEEK AHEAD**

**FAFSA on the Web Toolkit Materials:** Beginning October 14, FSA will mail 2003-04 FAFSA on the Web Toolkits to over 55,000 organizations (postsecondary schools, high schools, state agencies, TRIO centers, libraries and PTAs) that counsel students and their families about applying for federal student aid.

### **KEY NEWS**

**Program Integrity—Recertification Denial Final:** On September 26, Case Management and Oversight sent a notice to the Computer Systems Institute in Skokie, IL, confirming the denial of recertification of eligibility to participate in the FSA programs, effective September 30, 2002. This action is a result of the school's failure to satisfy the regulatory standards of administrative capability and fiduciary responsibility. The school may not reapply for eligibility to participate in Title IV programs until March 1, 2004.

**Application Processing Statistics :** There were 12,270,096 applications processed in FY02. 7,274,213 of these were filed electronically, with 5,376,311, or 74%, filed via the Web – well exceeding our goals.

For the 2002-2003 processing cycle year-to-date, there have been 10,203,030 applications processed in an average of 3.34 days. This reduction exceeds not only the contract standards, but also our own annual goal by 56%.

**Defaulted Borrower Statistics:** For FY02 a total of 297,418 "new" defaulted accounts were added to FSA's portfolio of defaulted loans. During the same period 411,341 defaulted accounts were removed from default through repayment or resolution, resulting in a net decrease of over 100,000 in the actual number of defaulted borrowers held by FSA.

**Internal Review—FSA Telecommunications Audit:** An entrance conference for an audit of FSA telecommunications was held on October 10, 2002. The objectives of the audit are to determine if FSA has entered into telecommunications contracts that impact the Department's FTS (Federal Telecommunications Service) 2001 contract. FSA does not have any telecomm contracts beyond FTS, which is a government-wide contract run by GSA and subscribed to through ED OCIO. The audit fieldwork will begin immediately but no timeframe has been set for possible completion of the audit.

**e-Gov/eAuthentication Initiative:** The Department of Education continues to discuss its concerns with the direction of the eAuthentication initiative. In a meeting held October 8 with the government-wide eAuthentication team, the Department agreed to discuss some

legal and policy concerns about expanding the use of the FSA Personal Identification Number (PIN) across government applications. The eAuthentication team agreed to prepare an improved response to explain the value of an eAuthentication gateway. This information will help define the project scope, funding and FTE resource requests by the eAuthentication project team.

### **RESOLUTION OF KEY ISSUES**

#### **Financial Reporting—\$1.6 billion adjustment to GA loans:**

In an FY 2001 audit, the auditors noted differences between the amount of the FFEL loans receivable reported in the general ledger and the amounts reported by the Guaranty Agencies (GAs). The auditors believed that the gross receivables were overstated by approximately \$1.3 billion (or \$300 million net of associated allowance).

Deva, a contractor working on FSA's reconciliation process, was tasked to evaluate the auditor's \$1.3 billion number. They confirmed the \$1.3 billion amount identified by Ernst and Young but also identified an additional \$300 million of timing differences making the total \$1.6 billion as of September 30, 2001.

KPMG computed that the amount of the difference for FY 2001 is \$1.6 billion between the loans receivable reported in the GL and the GA Form 2000 balances and recommended that the difference be corrected as an opening balance adjustment. Ernst and Young proposed that the Department report such prior period adjustments in the Statement of Changes in Net Position. KPMG concurred in the auditor's proposal.

### **PUBLIC AFFAIRS ACTIVITIES**

Nothing to report.

### **REGULATORY ACTIVITIES**

Nothing to report.

### **POLICY DOCUMENTS**

Not applicable.

### **GRANT ACTIVITIES**

Nothing to report.

### **ON THE HORIZON**

**Internal Review—OIG Audit - Address Match:** An entrance conference for this audit will be held on October 21, 2002. The objectives of the audit are to identify: (1) addresses with excessive amounts of FSA awards and analyze these occurrences for reasonableness; and (2) schools for review that have a high number of applicants with the same address.

### **CONTACT INFORMATION**

Please contact Karen Santos Freeman at 377-4001 with any questions.